

Public Employees' Retirement Board

A Component Unit of the State of Montana

Report on Investment Activity

INTRODUCTION

The Montana Constitution and Montana statutes govern the investment activity of the retirement funds administered by the Public Employees' Retirement Board (PERB). The "prudent expert principle," contained in the Montana Constitution and Montana statute, requires the fiduciaries of the funds, including the Montana Board of Investments (BOI), to discharge their duties in the same manner that a prudent expert acting in a fiduciary capacity and under the same circumstances, exercises in the conduct of an enterprise of a similar character with similar objectives.

The prudent expert principle permits further diversification of the holdings of the fund to minimize the risk of loss and maximize the rate of return. The opportunity to diversify among various asset classes does enable a fund to reduce volatility and increase returns.

The BOI prepares and provides information related to the defined benefit investments for the PERB. The Montana Public Employee Retirement Administration (MPERA), staff of the PERB, is responsible for the presentation of the report of investment activity.

INVESTMENT GOALS AND OBJECTIVES

The basic goal influencing the investment activity of the PERB is two-fold. First is to realize compound rates of return sufficient to fund promised benefits; and the second is to provide benefit services at the lowest possible cost to employers and members.

The basic investment objective of the BOI is achievement of a total rate of return which exceeds the rate of inflation as measured by the Consumer Price Index by 3% over any five-year rolling period, while out-performing the market indices for each asset class over any current five-year rolling period.

To calculate the PERB's defined benefit investment returns, State Street Bank and Trust, BOI's custodial bank and an independent third party, uses the industry performance presentation standards times weighted total rate of return method.

RISK TOLERANCE

In view of the long time horizon of the pension plans and adequacy of cash flow to meet retiree payments, all funds have an above average ability to assume risk. For Montana loans, maximum loan size is \$5 million.

INVESTMENT MANAGEMENT AND RESULTS

The funds of each defined benefit plan are invested by the BOI as part of the unified investment program. The portfolio is broadly diversified between the various asset classes (stocks, bonds, real estate, venture capital, etc.). A complete list of portfolio information is available through the BOI. State Street Bank and Trust compiles the rates of return for the investments using the Association for Investment Management and Research (AIMR) Performance Presentation Standards. The total rates of return for fiscal year 2003 are reported for each defined benefit fund by the BOI. The following tables are a summary of the information received from the BOI.

INVESTMENT SECTION

TOTAL RATES OF RETURN BY ASSET CLASS					
12-Month Period ending June 30, 2003					
Asset Class	<u>INDEX</u>	<u>PERS- DBRP</u>	<u>MPORS</u>	<u>GWPORS</u>	<u>SRS</u>
STIP		1.54%	1.54%	1.54%	1.54%
91 day T-Bill	1.41%				
Equities ¹		0.67%	0.53%	0.49%	0.57%
S&P 500	0.25%				
Fixed Income		14.11%	15.88%	15.88%	15.88%
LB Aggregate Bond	10.41%				
Miscellaneous ²		4.93%			
All Assets		6.61%	7.34%	7.17%	7.07%
Composite³		4.95%	5.05%	4.99%	4.84%
	<u>INDEX</u>	<u>JRS</u>	<u>HPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP		1.54%	1.54%	1.54%	1.54%
91 day T-Bill	1.41%				
Equities ¹		0.60%	0.51%	0.54%	0.72%
S&P 500	0.25%				
Fixed Income		15.87%	15.88%	15.88%	15.87%
LB Aggregate Bond	10.41%				
All Assets		7.19%	7.01%	7.28%	8.28%
Composite³		4.97%	4.82%	4.98%	6.10%
¹ Includes MDEP, MTIP, REI and Alternative Equities					
² Montana Mortgages					
³ An Index Composite paralleling the Fund's Asset Allocation at Market Value					
The rates of return are based on the industry performance presentation standards times weighted total rate of return method (AIMR Performance Presentation Standards)					

INVESTMENT SECTION

TOTAL RATES OF RETURN BY ASSET CLASS					
Three-Year Period ending June 30, 2003					
Asset Class	<u>INDEX</u>	<u>PERS- DBRP</u>	<u>MPORS</u>	<u>GWPORS</u>	<u>SRS</u>
STIP		3.63%	3.63%	3.63%	3.63%
91 day T-Bill	3.15%				
Equities ¹		-11.00%	-11.15%	-11.21%	-11.12%
S&P 500	-11.19%				
Fixed Income		11.97%	12.51%	12.51%	12.51%
LB Aggregate Bond	10.08%				
Miscellaneous ²		8.84%			
All Assets		-2.07%	-1.82%	-1.84%	-1.91%
Composite³		-1.76%	-1.84%	-1.86%	-1.95%
	<u>INDEX</u>	<u>JRS</u>	<u>HPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP		3.63%	3.63%	3.63%	3.63%
91 day T-Bill	3.15%				
Equities ¹		-11.09%	-11.14%	-11.16%	-10.71%
S&P 500	-11.19%				
Fixed Income		12.51%	12.51%	12.51%	12.51%
LB Aggregate Bond	10.08%				
All Assets		-1.96%	-1.98%	-1.89%	0.99%
Composite³		-1.88%	-1.94%	-1.97%	0.85%
¹ Includes MDEP, MTIP, REI and Alternative Equities					
² Montana Mortgages					
³ An Index Composite paralleling the Fund's Asset Allocation at Market Value					
The rates of return are based on the industry performance presentation standards times weighted total rate of return method (AIMR Performance Presentation Standards)					

INVESTMENT SECTION

TOTAL RATES OF RETURN BY ASSET CLASS					
Five-Year Period ending June 30, 2003					
Asset Class	<u>INDEX</u>	<u>PERS- DBRP</u>	<u>MPORS</u>	<u>GWPORS</u>	<u>SRS</u>
STIP		4.46%	4.46%	4.46%	4.46%
91 day T-Bill	3.89%				
Equities ¹		-1.19%	-1.60%	-1.62%	-1.56%
S&P 500	-1.61%				
Fixed Income		8.13%	8.41%	8.41%	8.41%
LB Aggregate Bond	7.54%				
Miscellaneous ²		6.59%			
All Assets		2.60%	2.48%	2.55%	2.52%
Composite³		2.63%	2.49%	2.56%	2.52%
	<u>INDEX</u>	<u>JRS</u>	<u>HPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP		4.45%	4.45%	4.46%	4.45%
91 day T-Bill	3.89%				
Equities ¹		-1.49%	-1.55%	-1.62%	-1.07%
S&P 500	-1.61%				
Fixed Income		8.41%	8.41%	8.41%	8.41%
LB Aggregate Bond	7.54%				
All Assets		2.46%	2.39%	2.47%	3.84%
Composite³		2.53%	2.44%	2.44%	3.85%
¹ Includes MDEP, MTIP, REI and Alternative Equities					
² Montana Mortgages					
³ An Index Composite paralleling the Fund's Asset Allocation at Market Value					
The rates of return are based on the industry performance presentation standards times weighted total rate of return method (AIMR Performance Presentation Standards)					

INVESTMENT SECTION

ASSET ALLOCATION

Correct asset allocation is the main determinant of the BOI's success in meeting long-term investment objectives. The asset mix

with the highest probability of achieving the basic investment objective and the actual asset mix for fiscal year 2003 is listed in the following table for both fixed income investments and equity investments.

FY2003 ASSET ALLOCATION

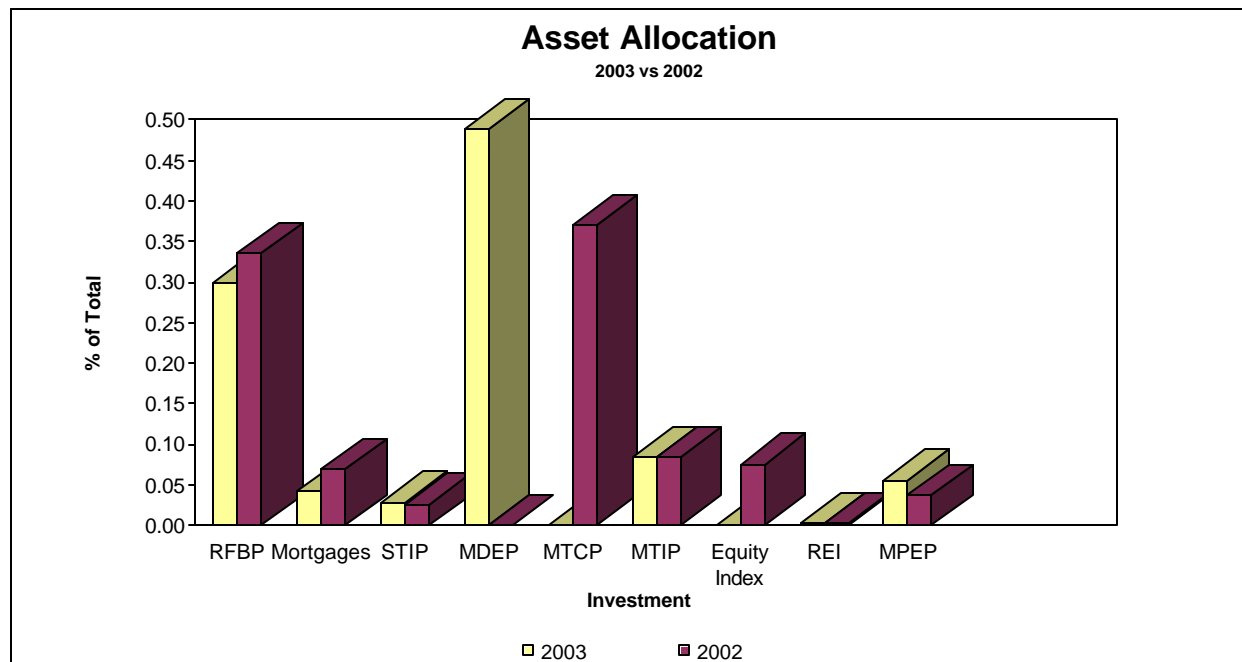
	Investment Objective	Actual Investment		Investment Objective	Actual Investment
PERS-DBRP			JRS		
Fixed	30% to 40%	36.95%	Fixed	30% to 40%	37.60%
Equity	60% to 70%	63.05%	Equity	60% to 70%	62.40%
MPORS			HPORS		
Fixed	30% to 40%	36.98%	Fixed	30% to 40%	37.74%
Equity	60% to 70%	63.02%	Equity	60% to 70%	62.26%
GWPORS			FURS		
Fixed	30% to 40%	39.34%	Fixed	30% to 40%	37.15%
Equity	60% to 70%	60.66%	Equity	60% to 70%	62.85%
SRS			VFCA		
Fixed	30% to 40%	38.06%	Fixed	30% to 40%	41.31%
Equity	60% to 70%	61.94%	Equity	60% to 70%	58.69%

INVESTMENT SECTION

PERS-DBRP

Asset Mix (fair value)
as of June 30, 2003 and 2002
(in thousands)

Investment Type	2003 Fair Value	% of Total	2002 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 804,470	29.97%	\$ 858,467	33.54%	\$ (53,997)	-6.29%
Montana Mortgages	112,079	4.18%	178,442	6.97%	(66,363)	-37.19%
STIP	75,120	2.80%	65,339	2.55%	9,781	14.97%
Total Fixed Income	\$ 991,669	36.95%	\$ 1,102,248	43.06%	\$ (110,579)	-10.03%
Equities:						
Montana Domestic Equity Pool (MDEP) ¹	\$ 1,308,884	48.76%		0.00%	\$ 1,308,884	100.00%
Montana Stock Pool (MTCP) ¹		0.00%	\$ 946,375	36.98%	(946,375)	-100.00%
Montana International Pool (MTIP)	225,347	8.40%	215,598	8.42%	9,749	4.52%
Equity Index		0.00%	192,493	7.52%	(192,493)	-100.00%
Real Estate Investments (REI)	7,246	0.27%	7,035	0.27%	211	3.00%
Montana Private Equity Pool (MPEP)	150,960	5.62%	95,927	3.75%	55,033	57.37%
Total Equities	\$ 1,692,437	63.05%	\$ 1,457,428	56.94%	\$ 235,009	16.12%
Total	\$ 2,684,106	100.00%	\$ 2,559,676	100.00%	\$ 124,430	4.86%

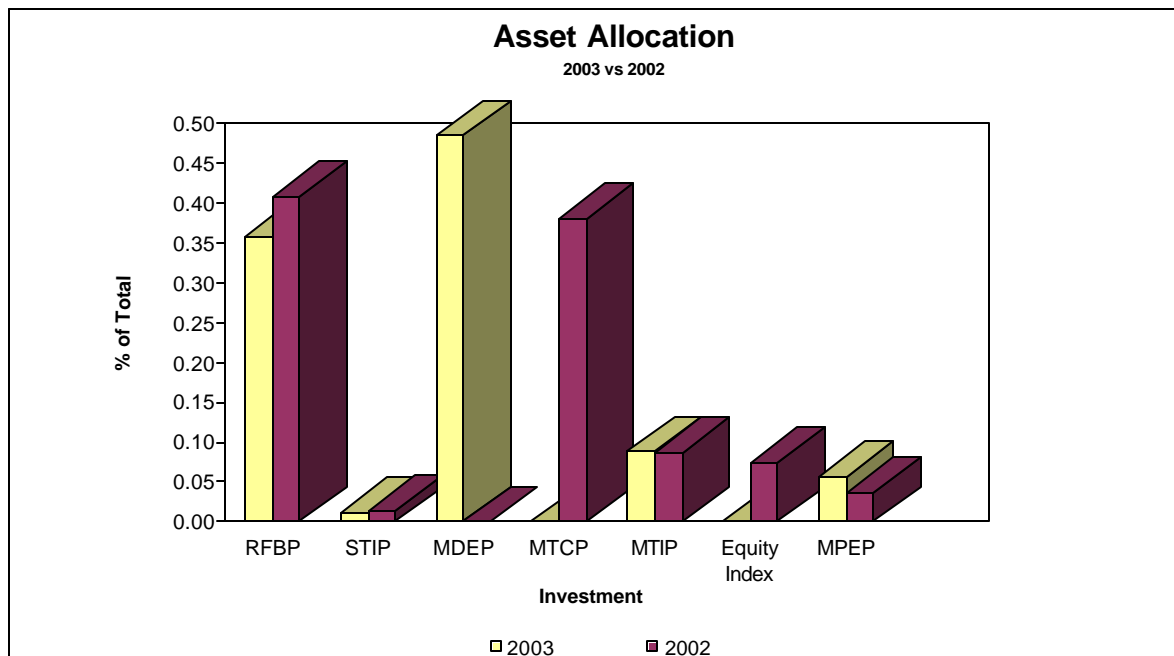


¹ Current participants in the MTCP were automatically transferred to the new MDEP when it was established May 1, 2003.

MPORS

Asset Mix (fair value) as of June 30, 2003 and 2002 (in thousands)

Investment Type	2003 Fair Value	% of Total	2002 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 43,873	35.80%	\$ 46,045	40.90%	\$ (2,172)	-4.72%
STIP	1,446	1.18%	1,568	1.40%	(122)	-7.78%
<i>Total Fixed Income</i>	<i>\$ 45,319</i>	<i>36.98%</i>	<i>\$ 47,613</i>	<i>42.30%</i>	<i>\$ (2,294)</i>	<i>-4.82%</i>
Equities:						
Montana Domestic Equity Pool (MDEP) ¹	\$ 59,430	48.49%		0.00%	\$59,430	100.00%
Montana Stock Pool (MTCP) ¹		0.00%	\$ 42,820	38.04%	(42,820)	-100.00%
Montana International Pool (MTIP)	10,833	8.84%	9,695	8.61%	1,138	11.74%
Equity Index		0.00%	8,271	7.35%	(8,271)	100.00%
Montana Private Equity Pool (MPEP)	6,975	5.69%	4,167	3.70%	2,808	100.00%
<i>Total Equities</i>	<i>\$ 77,238</i>	<i>63.02%</i>	<i>\$ 64,953</i>	<i>57.70%</i>	<i>\$ 12,285</i>	<i>18.91%</i>
Total	\$ 122,557	100.00%	\$ 112,566	100.00%	\$ 9,991	8.88%



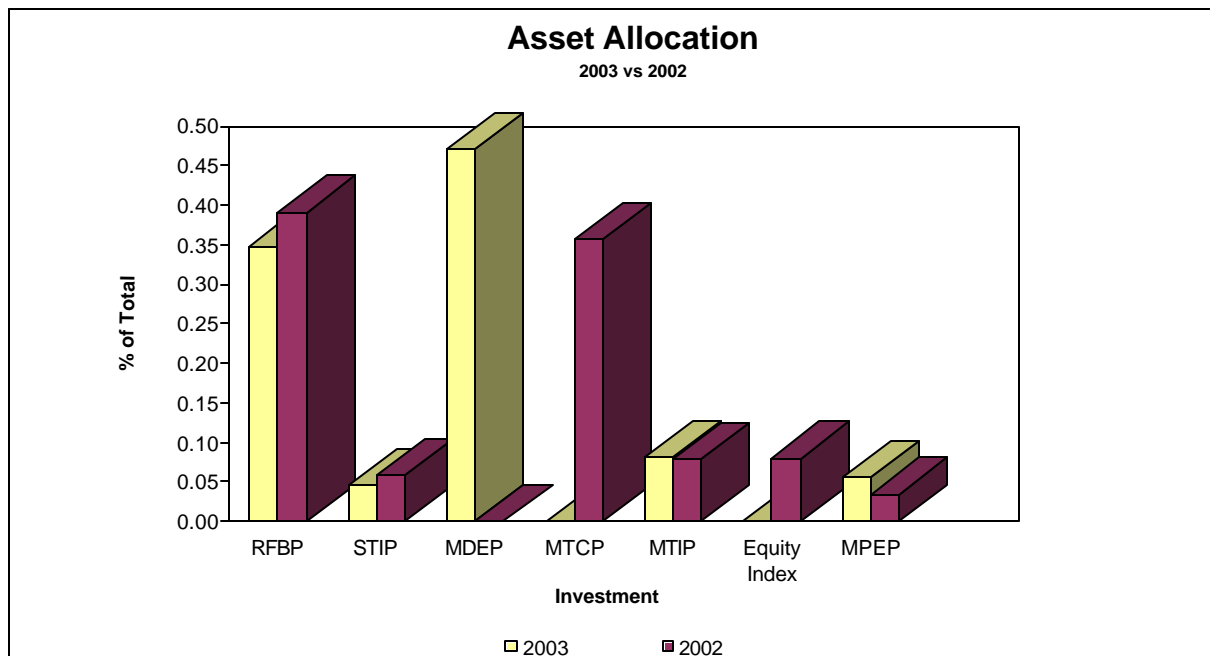
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INVESTMENT SECTION

GWPORS

Asset Mix (fair value)
as of June 30, 2003 and 2002
(in thousands)

Investment Type	2003 Fair Value	% of Total	2002 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 12,921	34.79%	\$ 12,658	39.11%	\$ 263	2.08%
STIP	1,691	4.55%	1,875	5.79%	(184)	-9.81%
<i>Total Fixed Income</i>	<i>\$ 14,612</i>	<i>39.34%</i>	<i>\$ 14,533</i>	<i>44.90%</i>	<i>\$ 79</i>	<i>0.54%</i>
Equities:						
Montana Domestic Equity Pool (MDEP) ¹	\$ 17,476	47.05%		0.00%	\$ 17,476	100.00%
Montana Stock Pool (MTCP) ¹		0.00%	\$ 11,576	35.77%	(11,576)	-100.00%
Montana International Pool (MTIP)	2,996	8.07%	2,555	7.89%	441	17.26%
Equity Index		0.00%	2,586	7.99%	(2,586)	100.00%
Montana Private Equity Pool (MPEP)	2,058	5.54%	1,115	3.45%	943	100.00%
<i>Total Equities</i>	<i>\$ 22,530</i>	<i>60.66%</i>	<i>\$ 17,832</i>	<i>55.10%</i>	<i>\$ 4,698</i>	<i>26.35%</i>
Total	\$ 37,142	100.00%	\$ 32,365	100.00%	\$ 4,777	14.76%

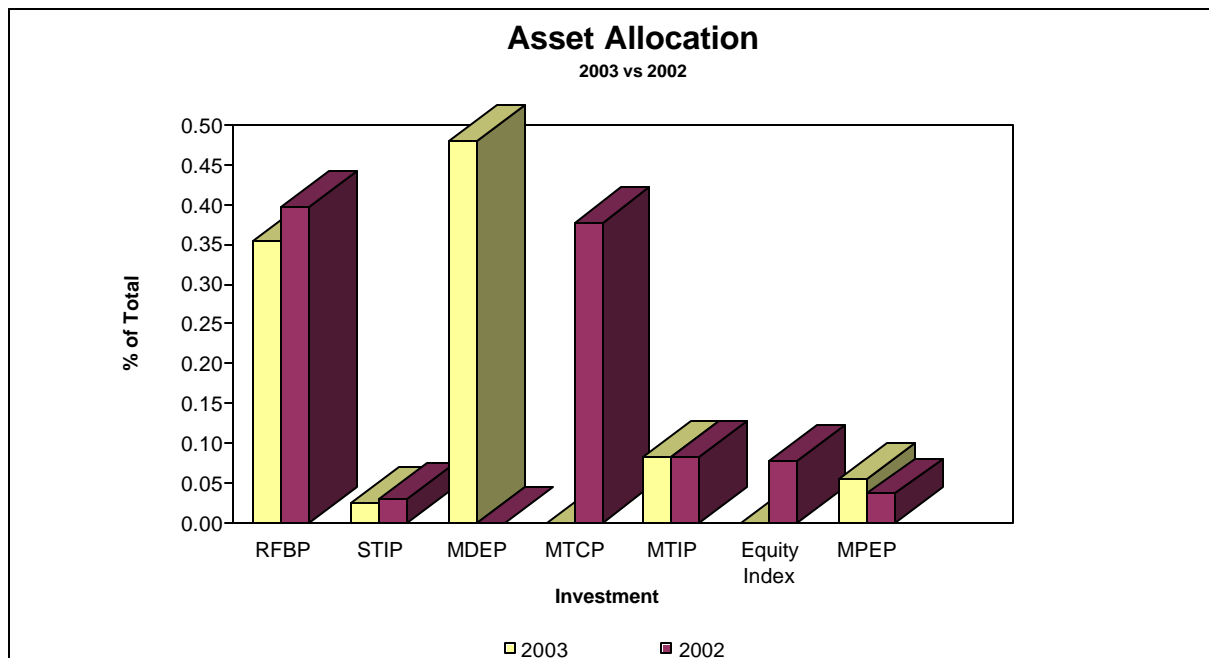


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SRS

Asset Mix (fair value) as of June 30, 2003 and 2002 (in thousands)

Investment Type	2003 Fair Value	% of Total	2002 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 43,639	35.47%	\$ 45,736	39.81%	\$ (2,097)	-4.59%
STIP	3,186	2.59%	3,338	2.91%	(152)	-4.55%
<i>Total Fixed Income</i>	<i>\$ 46,825</i>	<i>38.06%</i>	<i>\$ 49,074</i>	<i>42.72%</i>	<i>\$ (2,249)</i>	<i>-4.58%</i>
Equities:						
Montana Domestic Equity Pool (MDEP) ¹	\$ 59,059	48.00%		0.00%	\$ 59,059	100.00%
Montana Stock Pool (MTCP) ¹		0.00%	\$ 43,178	37.58%	(43,178)	-100.00%
Montana International Pool (MTIP)	10,250	8.33%	9,593	8.35%	657	6.85%
Equity Index		0.00%	8,875	7.72%	(8,875)	100.00%
Montana Private Equity Pool (MPEP)	6,906	5.61%	4,167	3.63%	2,739	100.00%
<i>Total Equities</i>	<i>\$ 76,215</i>	<i>61.94%</i>	<i>\$ 65,813</i>	<i>57.28%</i>	<i>\$ 10,402</i>	<i>15.81%</i>
Total	\$ 123,040	100.00%	\$ 114,887	100.00%	\$ 8,153	7.10%



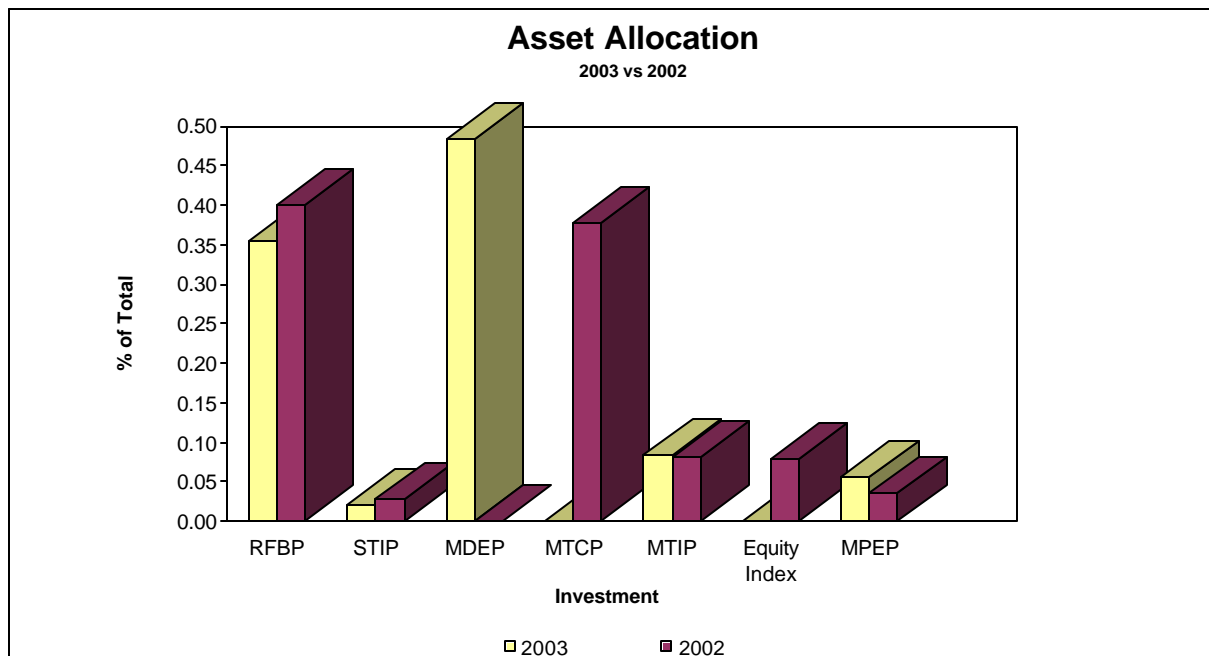
¹ Current participants in the MTCP were automatically transferred to the new MDEP when it was established May 1, 2003.

INVESTMENT SECTION

JRS

Asset Mix (fair value) as of June 30, 2003 and 2002 (in thousands)

Investment Type	2003 Fair Value	% of Total	2002 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 14,046	35.49%	\$ 14,878	40.02%	\$ (832)	-5.59%
STIP	837	2.11%	1,036	2.79%	(199)	-19.21%
Total Fixed Income	\$ 14,883	37.60%	\$ 15,914	42.81%	\$ (1,031)	-6.48%
Equities:						
Montana Domestic Equity Pool (MDEP) ¹	\$ 19,162	48.41%		0.00%	\$ 19,162	100.00%
Montana Stock Pool (MTCP) ¹		0.00%	\$ 14,012	37.69%	(14,012)	-100.00%
Montana International Pool (MTIP)	3,294	8.32%	2,995	8.06%	299	9.98%
Equity Index		0.00%	2,900	7.80%	(2,900)	100.00%
Montana Private Equity Pool (MPEP)	2,243	5.67%	1,353	3.64%	890	100.00%
Total Equities	\$ 24,699	62.40%	\$ 21,260	57.19%	\$ 3,439	16.18%
Total	\$ 39,582	100.00%	\$ 37,174	100.00%	\$ 2,408	6.48%

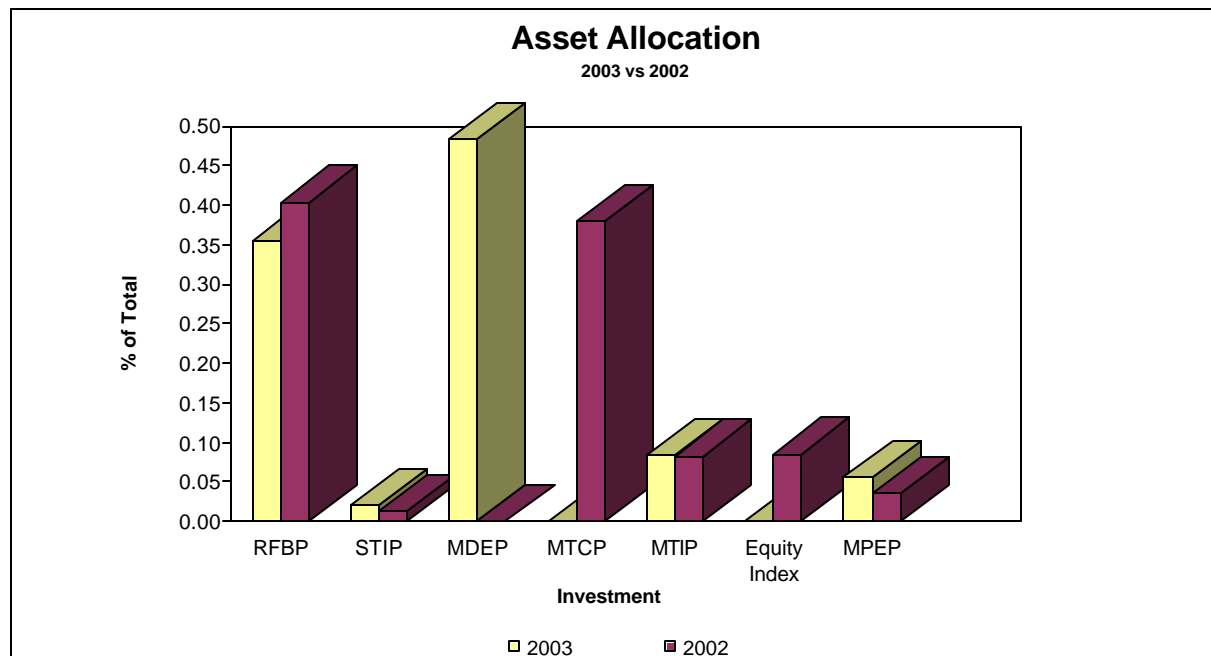


¹ Current participants in the MTCP were automatically transferred to the new MDEP when it was established May 1, 2003.

HPORS

Asset Mix (fair value) as of June 30, 2003 and 2002 (in thousands)

Investment Type	2003 Fair Value	% of Total	2002 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 25,178	35.62%	\$ 27,230	40.40%	\$ (2,052)	-7.54%
STIP	1,501	2.12%	832	1.23%	669	80.41%
<i>Total Fixed Income</i>	<i>\$ 26,679</i>	<i>37.74%</i>	<i>\$ 28,062</i>	<i>41.63%</i>	<i>\$ (1,383)</i>	<i>-4.93%</i>
Equities:						
Montana Domestic Equity Pool (MDEP) ¹	\$ 34,191	48.37%		0.00%	\$ 34,191	100.00%
Montana Stock Pool (MTCP) ¹		0.00%	\$ 25,563	37.92%	(25,563)	-100.00%
Montana International Pool (MTIP)	5,883	8.32%	5,590	8.29%	293	5.24%
Equity Index		0.00%	5,729	8.50%	(5,729)	-100.00%
Montana Private Equity Pool (MPEP)	3,933	5.57%	2,468	3.66%	1,465	59.36%
<i>Total Equities</i>	<i>\$ 44,007</i>	<i>62.26%</i>	<i>\$ 39,350</i>	<i>58.37%</i>	<i>\$ 4,657</i>	<i>11.83%</i>
Total	\$ 70,686	100.00%	\$ 67,412	100.00%	\$ 3,274	4.86%



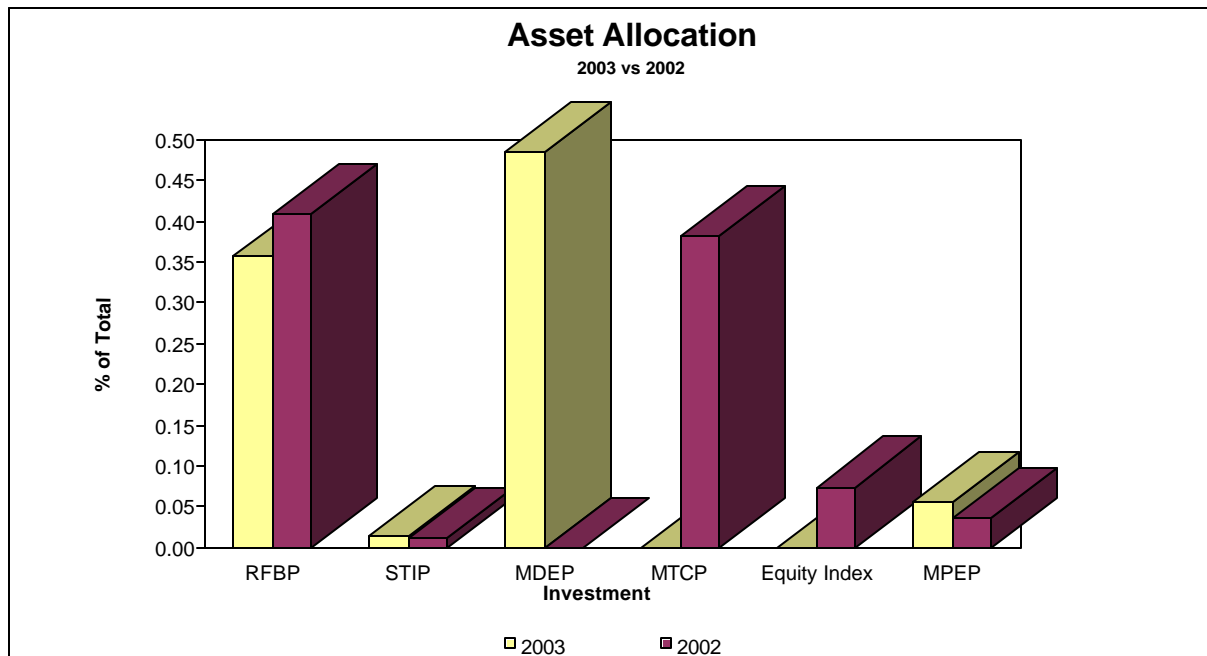
¹ Current participants in the MTCP were automatically transferred to the new MDEP when it was established May 1, 2003.

INVESTMENT SECTION

FURS

Asset Mix (fair value)
as of June 30, 2003 and 2002
(in thousands)

Investment Type	2003 Fair Value	% of Total	2002 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 41,757	35.75%	\$ 43,775	40.78%	\$ (2,018)	-4.61%
STIP	1,641	1.40%	1,349	1.26%	292	21.65%
Total Fixed Income	\$ 43,398	37.15%	\$ 45,124	42.04%	\$ (1,726)	-3.83%
Equities:						
Montana Domestic Equity Pool (MDEP) ¹	\$ 56,638	48.48%		0.00%	\$ 56,638	100.00%
Montana Stock Pool (MTCP) ¹		0.00%	\$ 40,946	38.15%	(40,946)	-100.00%
Montana International Pool (MTIP)	10,235	8.77%	9,337	8.70%	898	9.62%
Equity Index		0.00%	8,002	7.45%	(8,002)	-100.00%
Montana Private Equity Pool (MPEP)	6,546	5.60%	3,929	3.66%	2,617	66.61%
Total Equities	\$ 73,419	62.85%	\$ 62,214	57.96%	\$ 11,205	18.01%
Total	\$ 116,817	100.00%	\$ 107,338	100.00%	\$ 9,479	8.83%



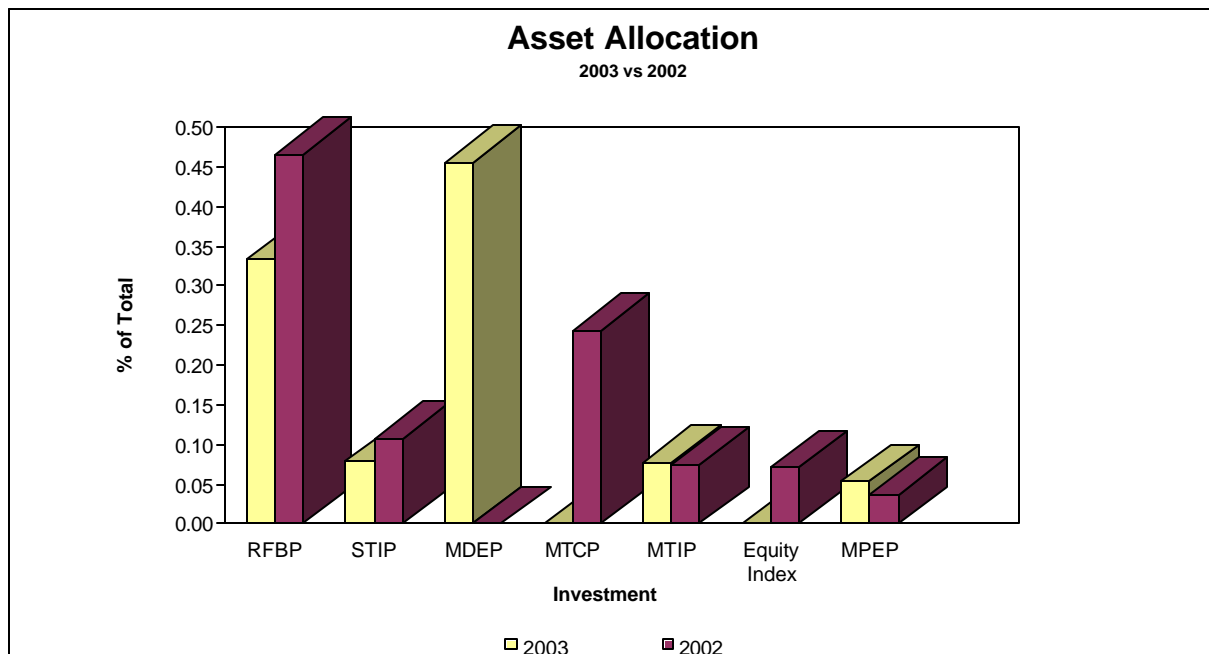
¹ Current participants in the MTCP were automatically transferred to the new MDEP when it was established May 1, 2003.

INVESTMENT SECTION

VFCA

Asset Mix (fair value) as of June 30, 2003 and 2002 (in thousands)

Investment Type	2003 Fair Value	% of Total	2002 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 5,964	33.39%	\$ 7,838	46.56%	\$ (1,874)	-23.91%
STIP	1,414	7.92%	1,811	10.76%	(397)	-21.92%
<i>Total Fixed Income</i>	<i>\$ 7,378</i>	<i>41.31%</i>	<i>\$ 9,649</i>	<i>57.32%</i>	<i>\$ (2,271)</i>	<i>-23.54%</i>
Equities:						
Montana Domestic Equity Pool (MDEP) ¹	\$ 8,134	45.54%		0.00%	\$ 8,134	100.00%
Montana Stock Pool (MTCP) ¹		0.00%	\$ 4,100	24.36%	(4,100)	-100.00%
Montana International Pool (MTIP)	1,379	7.72%	1,262	7.50%	117	9.27%
Equity Index		0.00%	1,194	7.09%	(1,194)	-100.00%
Montana Private Equity Pool (MPEP)	969	5.43%	628	3.73%	341	54.30%
<i>Total Equities</i>	<i>\$ 10,482</i>	<i>58.69%</i>	<i>\$ 7,184</i>	<i>42.68%</i>	<i>\$ 3,298</i>	<i>45.91%</i>
Total	\$ 17,860	100.00%	\$ 16,833	100.00%	\$ 1,027	6.10%



¹ Current participants in the MTCP were automatically transferred to the new MDEP when it was established May 1, 2003.

INVESTMENT SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Largest Holdings (by portfolio fair value) as of June 30, 2003

A complete list of the portfolio holdings can be obtained by contacting the Montana Board of Investments. The information below is MPERA's presentation of the largest holdings.

Shares/Par	Mortgages Portfolio	Fair Value
236,820,571	Montana Permanent Coal Trust Loans	\$ 236,820,571
195,687,789	Montana Residential Mortgages	197,411,916

PERS' 111,167,801 shares represent 25.20% of the total Mortgages portfolio at market.

Shares/Par	MPEP Portfolio	Fair Value
59,184,066	Oaktree Capital Opportunities Fund IVB LP	\$ 97,022,629
66,575,256	KKR 1996	78,196,100
42,128,356	Brinson Partnership Fund Trust	34,305,668
202,392	State Street SPIFF	25,039,507
10,538,031	Welsh Carson Anderson Stowe IX	11,443,301
16,140,016	KKR 1986, 1987	10,881,550
7,734,562	Lexington Capital Partnership V LP	9,241,177
10,900,654	KKR European Fund	8,846,513
13,508,333	Brinson Venture Capital Fund IV	7,458,694
4,617,565	KKR 1993	5,153,789

PERS' 1,475,918 shares represent 49.44% of the total MPEP portfolio at market.

MPORS' 68,196 shares represent 2.28% of the total MPEP portfolio at market.

GWPORS' 20,123 shares represent .67% of the total MPEP portfolio at market.

SRS' 67,523 shares represent 2.26% of the total MPEP portfolio at market.

JRS' 21,929 shares represent .73% of the total MPEP portfolio at market.

HPORS' 38,452 shares represent 1.29% of the total MPEP portfolio at market.

FURS' 63,999 shares represent 2.14% of the total MPEP portfolio at market.

VFCA's 9,472 shares represent .32% of the total MPEP portfolio at market.

Public Employees' Retirement Board

A Component Unit of the State of Montana

Largest Holdings (by portfolio fair value) as of June 30, 2003

Shares/Par	MDEP Portfolio	Fair Value
2,780,000	Microsoft Corp	\$ 71,195,800
2,272,300	General Electric Co	65,169,564
1,483,866	Citigroup Inc	63,509,465
1,462,912	Exxon Mobil Corp	52,533,170
800,000	WalMart Stores Inc	42,936,000
822,000	Johnson & Johnson	42,497,400
693,750	American International Group Inc	38,281,125
953,308	Verizon Communications	37,608,001
700,000	Wells Fargo & Co	35,280,000
539,000	Merck & Co Inc	32,636,450

PERS' 12,346,451 shares represent 50.78% of the total MDEP portfolio at market.

MPORS' 560,588 shares represent 2.31% of the total MDEP portfolio at market.

GWPORS' 164,844 shares represent .68% of the total MDEP portfolio at market.

SRS' 557,087 shares represent 2.29% of the total MDEP portfolio at market.

JRS' 180,750 shares represent .74% of the total MDEP portfolio at market.

HPORS' 322,522 shares represent 1.33% of the total MDEP portfolio at market.

FURS' 534,250 shares represent 2.20% of the total MDEP portfolio at market.

VFCA's 76,728 shares represent .32% of the total MDEP portfolio at market.

Shares/Par	RFBP Portfolio	Fair Value
150,000,000	Student Loan Marketing Assn	\$ 72,090,900
30,000,000	Federal National Mortgage Assn	34,589,556
150,000,000	Federal Home Loan Mortgage Corp	32,268,150
29,585,712	Federal Home Loan Pool E01376	29,860,921
21,000,000	United States Treasury Bonds	27,936,563
20,000,000	Federal National Mortgage Assn	25,967,004
19,000,000	United States Treasury Bonds	25,807,343
375,723,766	General RE Corp	23,264,816
17,000,000	Federal National Mortgage Assn	21,023,961
18,591,834	PPL Montana LLC	20,884,024

PERS' 725,784,524 shares represent 50.63% of the total RFBP portfolio at market.

MPORS' 39,581,687 shares represent 2.76% of the total RFBP portfolio at market.

GWPORS' 11,656,903 shares represent .81% of the total RFBP portfolio at market.

SRS' 39,370,764 shares represent 2.75% of the total RFBP portfolio at market.

JRS' 12,671,966 shares represent .88% of the total RFBP portfolio at market.

HPORS' 22,714,862 shares represent 1.58% of the total RFBP portfolio market.

FURS' 37,672,597 shares represent 2.63% of the total RFBP portfolio market.

VFCA's 5,380,948 shares represent .38% of the total RFBP portfolio market.

INVESTMENT SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Largest Holdings (by portfolio fair value) as of June 30, 2003

Shares/Par	MTIP Portfolio	Fair Value
6,119,194	BGI MSCI Index Fund Europe	\$ 41,094,723
4,716,236	Vodafone Group	9,222,251
109,510	Roche Holdings AG	8,589,891
23,291	Samsung Electronic	6,921,980
162,384	BP PLC	6,823,376
121,500	UBS AG	6,758,721
115,500	Nestle S A	5,971,350
5,887,216	State Street Bank & Trust	5,887,216
144,779	Glaxosmithkline PLC	5,869,341
224,800	Toyota Motor Corp	5,822,428

PERS' 2,702,177 shares represent 47.87% of the total MTIP portfolio at market.

MPORS' 129,898 shares represent 2.30% of the total MTIP portfolio at market.

GWPORS' 35,930 shares represent .64% of the total MTIP portfolio at market.

SRS' 122,907 shares represent 2.18% of the total MTIP portfolio at market.

JRS' 39,504 shares represent .70% of the total MTIP portfolio at market.

HPORS' 70,548 shares represent 1.25% of the total MTIP portfolio at market.

FURS' 122,734 shares represent 2.17% of the total MTIP portfolio at market.

VFCA's 16,533 shares represent .29% of the total MTIP portfolio at market.

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INVESTMENT SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Investment Summary

as of June 30, 2003

(in thousands)

Type of Investment	PERS-DBRP		MPORS		GWPORS	
	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
<i>Fixed Income</i>						
Retirement Funds Bond Pool	\$ 804,470	29.97%	\$ 43,873	35.80%	\$ 12,921	34.79%
<i>Equities</i>						
Montana Domestic Equity Pool	1,308,884	48.76%	59,430	48.49%	17,476	47.05%
Montana International Pool	225,347	8.40%	10,833	8.84%	2,996	8.07%
<i>Alternative Equities</i>						
Montana Private Equity Pool	150,960	5.62%	6,975	5.69%	2,058	5.54%
Real Estate Investments	7,246	0.27%	N/A	0.00%	N/A	0.00%
<i>Montana Mortgages & Loans</i>						
Mortgages	112,079	4.18%	N/A	0.00%	N/A	0.00%
<i>Short term Investments</i>						
Short Term Investment Pool	75,120	2.80%	1,446	1.18%	1,691	4.55%
Total	\$ 2,684,106	100.00%	\$ 122,557	100.00%	\$ 37,142	100.00%

INVESTMENT SECTION

SRS		JRS		HPORS		FURS		VFCA	
Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
\$ 43,639	35.47%	\$ 14,046	35.49%	\$ 25,178	35.62%	\$ 41,757	35.75%	\$ 5,964	33.39%
59,059	48.00%	19,162	48.41%	34,191	48.37%	56,638	48.48%	8,134	45.54%
10,250	8.33%	3,294	8.32%	5,883	8.32%	10,235	8.77%	1,379	7.72%
6,906	5.61%	2,243	5.67%	3,933	5.57%	6,546	5.60%	969	5.43%
N/A	0.00%	N/A	0.00%	N/A	0.00%	N/A	0.00%	N/A	0.00%
N/A	0.00%	N/A	0.00%	N/A	0.00%	N/A	0.00%	N/A	0.00%
3,186	2.59%	837	2.11%	1,501	2.12%	1,641	1.40%	1,414	7.92%
\$ 123,040	100.00%	\$ 39,582	100.00%	\$ 70,686	100.00%	\$ 116,817	100.00%	\$ 17,860	100.00%

INVESTMENT SECTION

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